

CITY OF SANTA CRUZ

Audit Report

FLOOD CONTROL SUBVENTIONS PROGRAM

San Lorenzo River Flood Control Project

January 5, 2006, through June 3, 2009



JOHN CHIANG
California State Controller

October 2011



JOHN CHIANG
California State Controller

October 26, 2011

Mark Cowin, Director
Department of Water Resources
1416 Ninth Street, Room 1115-1
Sacramento, CA 95814

Dear Mr. Cowin:

The State Controller's Office audited claims submitted by the City of Santa Cruz under the Flood Control Subventions Program.

The city claimed costs of \$1,840,162 for the San Lorenzo River Flood Control project for the period of January 5, 2006, through June 3, 2009. Our audit disclosed that the entire amount is allowable.

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk

cc: Nahideh Madanker
Flood Control Subventions Program
Division of Flood Management
Department of Water Resources
The Honorable Ryan Coonerty
Mayor of the City of Santa Cruz
Martin Bernal, City Manager
City of Santa Cruz
Joe Hall, Project Manager
City of Santa Cruz

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Audit Report

Summary

The State Controller's Office (SCO) audited the reimbursement claims of the City of Santa Cruz under the Flood Control Subventions Program. Our audit included the San Lorenzo River Flood Control Project for the period of January 5, 2006, through June 3, 2009.

The city claimed \$1,840,162 during the audit period. Our audit disclosed that the entire amount is allowable.

Background

The State of California provides financial assistance to local agencies participating in the construction of federal flood control projects. Under the Flood Control Subventions Program (State Water Code, Division 6, Part 6, Chapters 1 through 4), the California Department of Water Resources pays a portion of the local agency's share of flood control project costs, including the costs of rights of way, relocation, and recreation and fish and wildlife enhancements.

State Water Code section 12832 authorizes the State Controller to audit the books and records of local agencies to determine whether the state funds received were expended for the purposes and under the conditions authorized.

Objective, Scope, and Methodology

Our audit objective was to determine whether the costs claimed as presented in the Summary of Project Costs (Schedule 1) are allowable and in compliance with the Department of Water Resources' Guidelines for State Reimbursement on Flood Control Projects.

We conducted this performance audit under the general authority of Government Code section 12410 and the specific authority under State Water Code section 12832. We did not audit the city's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The sampling method we used to test transactions was haphazard sampling. The areas examined included:

- Claim preparation process
- Payments to the United States Army Corps of Engineers
- Other allocable costs
- Revenue recognition

We limited our review of the city's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Costs claimed by the City of Santa Cruz totaling \$1,840,162 were eligible for reimbursement under state regulations.

**Views of
Responsible
Official**

We discussed the audit results with the city's representative during an exit conference conducted on May 4, 2011. Joe Hall, Project Manager, agreed with the audit results. Mr. Hall declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of the City of Santa Cruz, the California Department of Water Resources, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

October 26, 2011

**Schedule 1—
Summary of Project Costs
January 5, 2006, through June 3, 2009**

Project/ Claim Number	District Claim Number	Costs Claimed and Audited	State Share of Eligibility Percentage ¹	State Share of Allowable Costs ²
San Lorenzo River Flood Control Project:				
SLOR 2006-01	20	\$ 66,006	70%	\$ 46,204
SLOR 2006-01A	20A	1,288,231	70%	901,762
SLOR 2006-02	21	65,000	70%	45,500
SLOR 2007-01	22	372,735	70%	260,915
SLOR 2009-01	23	48,190	70%	33,733
Totals		<u>\$ 1,840,162</u>		<u>\$ 1,288,114</u>

¹ The state share of allowable project costs represents the percentage of state funding, as stipulated in the California Water Code, for each project cost category.

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